

Message Text

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PAGE 01 LAGOS 08371 161739Z

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ACTION AF-18

INFO OCT-01 EUR-25 EA-11 ISO-00 AID-20 CIAE-00 COME-00

EB-11 FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07

OPIC-12 SPC-03 CIEP-02 LAB-06 SIL-01 OMB-01 SCEM-02

INT-08 DODE-00 PM-07 H-03 L-03 NSC-10 PA-04 PRS-01

SS-20 USIA-15 ACDA-19 IO-14 CEA-02 STR-08 DRC-01 /248 W

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FM AMEMBASSY LAGOS

TO SECSTATE WASHDC 1454

INFO AMEMBASSY ACCRA

AMEMBASSY ABIDJAN

AMEMBASSY FREETOWN

AMEMBASSY LONDON

AMEMBASSY TOKYO

OECD PARIS 3671

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E.O. 11652: N/A

TAGS: ENRG, NI

SUBJECT: DIRECT NIGERIAN CRUDE OIL SALES

REF: A. LAGOS 7382

B. LAGOS A-205 NOTAL

1. SUMMARY. LAGOS CONTINUES TO RECEIVE MANY WOULD-BE PURCHASERS OF THE CRUDE OIL NOW AVAILABLE FROM THE NIGERIAN NATIONAL OIL CORPORATION (NNOC). NEXT ROUND OF CONTRACTS IS EXPECTED TO BE ANNOUNCED ABOUT DECEMBER 1 FOR LIFTINGS STARTING IN JANUARY 1974. THE NNOC STILL TALKS ABOUT SELLING AS MUCH AS 350,000 BARRELS PER DAY OF ROYALTY AND PARTICIPATION CRUDE AND CURRENT OFFERS NOW IN EXCESS \$5.50 PER BARREL F.O.B. END SUMMARY.

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PAGE 02 LAGOS 08371 161739Z

2. AT END OF FORM LETTER TO POTENTIAL BUYERS REPORTED REFAIR, NNOC HAS AT LEAST IN SOME CASES TYPED A PS EXPLAINING THAT AN OFFER OF LESS THAN \$5.21 PER BARREL FOB NIGERIAN DEEPWATER TERMINAL "IS UNLIKELY TO INTEREST US." (PIW PUBLISHED LETTER AND PS IN OCTOBER 8 ISSUE.) SEVERAL SOURCES REPORT CURRENT OFFERS EXCEED \$5.00 FOR ONE YEAR FIXED-PRICE CONTRACT, AND ONE SOURCE REPORTS "MARKET" IS NOW \$5.55 AND A COMPETITIVE BID WOULD HAVE TO BE \$5.75. ACCORDING TO AN UNCONFIRMED RUMOR, SHELL (US) HAS OFFERED \$6.00.

3. SHELL IS RUMORED TO HAVE ENCOURAGED MANY THIRD -COUNTRIES BUYERS OF ITS HIGH-SULPHUR CRUDE TO BID FOR NIGERIAN OIL WHICH, IF SUCCESSFUL, SHELL WOULD SWAP WITH THEIR NORMAL SUPPLIES. MOST IMAGINATIVE SWEETENER TO COME TO EMBASSY'S ATTENTION IS OFFER TO HELP NNOC BUILD ITS OWN STORAGE FACILITIES NEAR CONSUMING MARKETS FROM WHICH IT COULD SELL OIL ON SPOT MARKET. JAPANESE ARE SAID TO HAVE SUBMITTED TWO SUCH PROPOSALS, ONE FOR FACILITIES IN JAPAN AND ANOTHER IN JAMAICA, AN EAST EUROPEAN COMPANY IS SAID TO HAVE MADE SIMILAR OFFER FOR FACILITIES IN EUROPE.

4. STILL CONFUSING IS ROLE IN CRUDE OIL SALES WHICH THE GOVERNMENT WILL ALLOW NIGERIAN MIDDLEMEN. THE FEDERAL COMMISSIONER FOR MINES AND POWER (SHETTIMA ALI MONGUNO) HELD A MEETING OF NIGERIAN BUSINESSMEN ON SEPTEMBER 27 AT WHICH HE ANNOUNCED THAT "NIGERIAN BUSINESSMEN ARE CERTAINLY NOT PRECLUDED TO OPERATE AND WOULD IN FACT BE ENCOURAGED TO BE FULLY INVOLVED, IN THE SALE OF NIGERIAN CRUDE EITHER ON THEIR OWN OR IN ASSOCIATION WITH REPUTABLE FOREIGN COMPANIES IN THE INDUSTRY." THIS IS APPARENT CONTRADICTION OF POLICY ANNOUNCED IN AUGUST BY PHILIP C. ASIODU, THE NNOC CHAIRMAN AND MONGUNO'S PERMANENT SECRETARY (LAGOS 6800). FWG PRESS RELEASE ABOUT MONGUNO'S ANNOUNCEMENT IN FACT REFERS TO "SOME DISTURBING STATEMENTS RECENTLY CREDITED TO THE PERMANENT SECRETARY."

5. THE ANNOUNCEMENT SUGGESTS LACK OF COORDINATION OR EVEN RIVALRY BETWEEN MONGUNO AND ASIODU, BUT BEST LOCAL GUESS LIMITED OFFICIAL USE

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PAGE 03 LAGOS 08371 161739Z

IS THAT THE CONTRADICTION IS MORE APPARENT THAN REAL. MONGUNO IS SAID TO BE PLAYING TO THE LARGE NUMBER OF NIGERIAN BUSINESSMEN WHO WERE OFFENDED BY PUBLIC STATEMENTS EXCLUDING THEM FROM DEALING IN THE NATION'S MOST IMPORTANT COMMODITY. NEVERTHELESS, NNOC IS STILL BURDENED BY A MASS OF MISLEADING AND OUTRIGHT BOGUS PROPOSITIONS FROM NIGERIAN MIDDLEMEN AND WANTS TO DISTINGUISH BETWEEN THESE AND THE BONA FIDE OFFERS. AS CONCLUDED IN REFAIR, POTENTIAL

AMERICAN BUYERS WOULD BE WELL ADVISED TO DEAL DIRECTLY WITH NNOC AND COMPLY FULLY WITH NNOC REQUIREMENTS. THEY MAY AT THE SAME TIME WISH TO PICK A NIGERIAN REPRESENTATIVE WHO CAN SERVE IN AN ADVISORY ROLE, PROVIDE LOCAL INTELLIGENCE, AND URGE THEIR CLIENTS' CASE ON THE RESPONSIBLE OFFICIALS.

6. THE COMMISSIONER INTRODUCED ADDITIONAL CONFUSION BY DRAWING A DISTINCTION BETWEEN SALES OF ROYALTY AND PARTICIPATION CRUDE. THE PRESS RELEASE SAID HE SAID THESE WERE RESPECTIVELY "HANDLED BY" THE MINISTRY AND THE NNOC. A VERSION OF THE SAME PRESS RELEASE PUBLISHED OCTOBER 16 BY THE NIGERIAN ASSOCIATION OF CHAMBERS MF COMMERCE, INDUSTRY AND MINES IS MORE PRECISE: IT SAYS" APPLICATIONS FOR THE PURCHASE OF CRUDE OIL SHOULD BE DIRECTED IN THE CASE OF ROYALTY CRUDE TO THE DIRECTOR OF PETROLEUM RESOURCES IN THE FEDERAL MINISTRY OF MINES AND POWER AND IN THE CASE OF PARTICIPATION OIL TO THE NNOC". " THIS SUGGESTS THAT TWO SEPARATE ORGANIZATIONS ARE PREPARED TO ADMINISTER CRUDE SALES, BUT, ACCORDING TO TRADE SOURCES, NNOC IS STILL THE ONLY AGENCY WITH APPROPRIATE MACHINERY, AND THE DISTINCTION MAY APPLY ONLY IN THE LEGAL SENSE OF WHICH ENTITY, THE GOVERNMENT OR THE STATE CORPORATION, HAS TITLE TO THE OIL. EMBASSY WILL SEEK CLARIFICATION.

7. COMMENT. BIDDING FOR NEXT YEAR'S CRUDE NOW STANDS ABOVE \$5.50 A BARREL BUT HIS CERTAIN TO GO HIGHER, PERHAPS MUCH HIGHER, AS THE RESULTS OF THE OPEC PRICE NEGOTIATIONS AND EFFECTS OF THE MIDDLE EAST WAR BECOME KNOWN, NNOC WILL PROBABLY AWAIT AS LONG AS POSSIBLE BEFORE SIGNING ANY SALES CONTRACTS.
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